

FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses Global Insight's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the April 2004 to the July 2004 *Idaho Economic Forecast*. The July 2004 *Idaho Forecast* is based on Global Insight's June 2004 baseline forecast and the April 2004 *Idaho Forecast* is driven by Global Insight's March 2004 baseline U.S. macroeconomic forecast.

A comparison of several key variables shows how the outlooks for the national and state economies have changed since the April 2004 *Idaho Economic Forecast* was published. A review of several macroeconomic variables leads to the conclusion that the short-run outlook for the U.S. economy has improved slightly, but its performance in the latter years of the planning horizon is slightly weaker than had been previously forecast. This can be seen by comparing the real GDP forecasts. The accompanying table shows real GDP in the July 2004 *Forecast* is \$22 billion (0.2%) higher than in the April 2004 *Forecast* and it is \$43 billion (0.4%) higher in 2005. However, in 2006 and 2007, the current forecast of real GDP is lower than in the April 2004 *Forecast*. Interestingly, nominal GDP is actually higher in both 2006 and 2007 than their April 2004 counterparts, but not enough to offset the impact of the anticipated higher inflation. This pattern is also evident in the real personal income, which displays a similar pattern. Specifically, this important barometer of the economy's health is higher in 2004 and 2005, marginally higher in 2006, but slightly lower in 2007. The short run outlook for U.S. nonfarm employment has also improved compared to the April 2004 *Forecast*. However, this advantage disappears beginning in 2006. Compared to the April 2004 *Forecast*, U.S. nonfarm employment is 0.4% higher in 2004, 0.5% higher in 2005, 0.1% higher in 2006, and 0.5% lower in 2007. Inflation is higher than had been previously forecast in each year. Given the higher inflation environment, the Federal Reserve is anticipated to adopt a tighter monetary policy. This can be seen in the federal funds rate, which is higher than previously projected in all years of the forecast.

Both the short- and long-term Idaho economic outlooks have improved. This can be seen in both the employment and income forecasts. Idaho nonfarm employment is about 0.6% stronger in each year through 2007. While aggregate employment is higher, the job mix has changed. For example, manufacturing employment is actually lower than in the previous forecast in each year. On the other hand, this gap is more than offset by the stronger expected performances for the mining, construction, and nongoods-producing sectors. The stronger employment has a positive impact on Idaho personal income. Nominal personal income on average is about 1.5% higher in each year. Even after incorporating the higher inflation, Idaho real personal income is higher than in the April 2004 *Forecast*. Another indicator of Idaho's economic strength is the improved outlook for housing.

**IDAHO ECONOMIC FORECAST
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DIFFERENCES BETWEEN
JULY 2004 AND APRIL 2004 FORECASTS**

	1999	2000	2001	2002	2003	2004	2005	2006	2007
GDP (BILLIONS)									
Current \$	0	0	0	0	2	84	144	44	9
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	1.2%	0.3%	0.1%
2000 Chain-Weighted	0	0	0	0	0	22	43	-47	-76
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.4%	-0.4%	-0.6%
PERSONAL INCOME - CURR \$									
Idaho (Millions)	167	113	600	633	194	669	724	559	405
% Difference	0.6%	0.4%	1.9%	1.9%	0.6%	1.8%	1.9%	1.4%	0.9%
U.S. (Billions)	0	0	0	0	16	146	174	98	52
% Difference	0.0%	0.0%	0.0%	0.0%	0.2%	1.5%	1.7%	0.9%	0.5%
PERSONAL INCOME - 2000 \$									
Idaho (Millions)	171	114	588	611	177	365	322	221	97
% Difference	0.6%	0.4%	1.9%	1.9%	0.5%	1.1%	0.9%	0.6%	0.3%
U.S. (Billions)	0	0	0	0	14	69	70	14	-22
% Difference	0.0%	0.0%	0.0%	0.0%	0.2%	0.8%	0.8%	0.1%	-0.2%
TOTAL NONFARM EMPLOYMENT									
Idaho	-4	-34	-40	-31	1,029	3,008	3,649	3,929	3,899
% Difference	0.0%	0.0%	0.0%	0.0%	0.2%	0.5%	0.6%	0.7%	0.6%
U.S. (Thousands)	0	0	0	0	0	560	644	72	-625
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.5%	0.1%	-0.5%
GOODS PRODUCING SECTOR									
Idaho	2	1	-3	-4	230	520	383	582	614
% Difference	0.0%	0.0%	0.0%	0.0%	0.2%	0.5%	0.4%	0.6%	0.6%
U.S. (Thousands)	0	0	0	0	0	217	242	116	-126
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	1.1%	0.5%	-0.6%
NONGOODS PRODUCING SECTOR									
Idaho	-5	-35	-37	-26	799	2,488	3,267	3,347	3,286
% Difference	0.0%	0.0%	0.0%	0.0%	0.2%	0.5%	0.7%	0.7%	0.6%
U.S. (Thousands)	0	0	0	0	0	343	402	-44	-499
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.4%	0.0%	-0.4%
FINANCIAL MARKETS									
Federal Funds Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.5%	0.5%	0.3%
Bank Prime Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.4%	0.5%	0.3%
Mort Rate, Existing Homes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.1%	0.0%
INFLATION									
GDP Price Deflator	0.0	0.0	0.0	0.0	0.0	0.6	0.9	0.8	0.8
Personal Cons Deflator	0.0	0.0	0.0	0.0	0.0	0.8	1.0	0.8	0.8
Consumer Price Index	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Forecast Begins the FIRST Quarter of 2004